



Friday, 23 September 2011

Airport-regulation@pc.gov.au

Dear Commissioner

**Re: Economic Regulation of Airport Services Draft Report**

The South Australian Freight Council Inc (SAFC) is South Australia's peak, multi-modal freight and logistics industry group that advises both the Federal and State governments on industry-related issues, and is funded by both governments and industry. SAFC represents road, rail, sea and air freight modes and operations, freight service users, and assists the industry on issues relating to freight logistics across all modes.

The Council believes South Australia's ability to achieve maximum growth potential is linked to the timely development of efficient and cost-effective transport infrastructure. The continuing growth of the aviation industry, and the myriad needs of airport operators and users, provides Government with the impetus and opportunity to address the problems with infrastructure funding in this area.

Therefore we are pleased to have been provided the opportunity to offer input on the Economic Regulation of Airport Services Draft Report, especially on the issue of the role of airports in funding infrastructure outside their respective boundaries.

In considering this issue, the Council believes that the provision and maintenance of effective and comprehensive freight transport infrastructure is the principal responsibility of government.

Airports are largely responsible for the provision of infrastructure on airport, and certainly have an interest in the connecting land transport infrastructure. So whilst airports may fund on-airport infrastructure, there are often market failures connected to the planning and funding of infrastructure outside of airports.

The issue with the planning of connecting airports to transport corridors is that it involves a multiplicity of players, each believing they have unique responsibility for their interests, combined with the separated planning process that applies to airport operators with that planning process administered by the Commonwealth. The beneficiaries are so widely dispersed that no beneficiaries could justify funding the infrastructure in their own right.

Airport infrastructure within, and outside of, official boundaries have a multitude of beneficiaries that will be greatly advantaged from infrastructure investment on routes leading to, and from, airports. These beneficiaries include governments at all levels, the general community, freight movers, and passengers, as well as non-airport users incorporating commuters and businesses located along the airport corridors. There is limited incentive for airport operators to become involved in funding connecting

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infrastructure unless by doing so they can increase their business and the return on their investment, or gain property rights in the process.

The quality of airport infrastructure is a significant factor when business operators decide as to whether they will return to use the facility. As growth in airline traffic continues, a significant amount of funding will be required for airport infrastructure to ensure that appropriate capacity is put in place to maintain standards. Future demand for air travel necessitates infrastructure investment within airport boundaries, including new freight facilities, runways, and terminals. Alternative scheduling will not substitute for capacity enhancement, particularly for airports such as the Adelaide Airport operating under restrictive night curfews.

In considering these matters, and given the competing demands for the limited investment funding available to airport operators, the Council believes that it would be inappropriate to expect airport operators to contribute to infrastructure costs beyond their boundaries as a result of future on-airport non-aeronautical development.

The Council notes that within the report there is little recognition of the problems airport operators experience with the Federal Government's planning approval process. The current process is inefficient and creates great difficulty in meeting 'on time' necessary aviation infrastructure. The Council believes that there may be an opportunity for the Commonwealth Department to consider on-airport infrastructure plans separately from non-aviation infrastructure to ensure they are assessed in a timely manner.

Finally, the Council urges the Commission to reconsider the Draft Report's recommendation that price monitoring should continue until June 2020 at each of Adelaide, Brisbane, Melbourne, Perth and Sydney airports, and in particular with regard to Adelaide.

Given that the rationale for price monitoring lies in the Commission's assessment of the degree of market power held by airports, the Council believes that the case for inclusion of Adelaide (already accepted by the Commission throughout the draft report as marginal) cannot be sustained. We understand that Adelaide Airport has entered into long term agreements with its airline customers, and as such has contracted out whatever market power it might have had and therefore is in a markedly different position to the other airports concerned.

The Council therefore recommends that the Commission amend its draft recommendation to exclude Adelaide Airport from the coverage of price monitoring.

The SAFC looks forward to working in partnership with both industry and government to continue improving airport operations in Australia.

Yours faithfully



Neil Murphy  
Chief Executive Officer  
South Australian Freight Council Inc